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FEB - 3 1981

Dear Applicant:

Your application for exemption from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code has been given consideration.

The evidence presented disclosed that you were incorporated on [REDACTED], under the General Not For Profit Corporation Act of [REDACTED]. Your stated purposes are to increase the education and knowledge of members of the corporation in family history, genealogical and adoptive records.

Your activities consist of soliciting members through articles published in the adult adoptee and genealogical press as well as the classified ads in newspapers; conducting monthly meetings at the [REDACTED]; conducting research for out-of-town members; carrying on a small amount of legislative activities; and publishing a newsletter. At the meetings, members relate their personal story and they are instructed on the research steps to pursue. An adult adoptee registry cross reference file is maintained. Members are advised of legal rights to access of records. The organization accumulates pertinent laws relating to adult adoptees and contact legislators about freedom of adult adoptee information legislation in [REDACTED]. The organization was organized primarily to "teach and assist adult members of the organization in the techniques of searching for their birth parents, brothers or sisters, or their adult adopted offspring, all in the interest of re-establishing family relationships."

Section 501(a) of the Internal Revenue Code of 1954 provides for the exemption of certain organizations described in subsection 501(c).

"(3) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involves the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of

any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office."

Section 1.501(c)(3)-1 of the Income Tax Regulations relates to the definition of the organization and operation of organizations described in Section 501(c)(3). It reads, in part, as follows:

"An organization will be regarded as 'operated exclusively' for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in Section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose."

Section 1.501(c)(3)-1 of the Income Tax Regulations provides, in part, that in order to be exempt as an organization described in Sections 501(c)(3) of the Code, an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. It further provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest.

In Benjamin Price Genealogical Association v. United States, Civil No. 78-2117 (D.D.C., 4/26/79), the Court held that although genealogical associations are of educational value the plaintiff was not created and operating exclusively for educational purposes, but rather, for the benefit of the private interests of its members. The Court went on to state that while the organization's newsletters were historical and educational, they focused on the family line of Benjamin Price and had little demonstrable public orientation.

In The Callaway Family Association, Inc. v. Commissioner, 71 T.C. 340 (1978), the Court held that the mere number of members alone does not determine whether an organization's activities accomplish an exempt purpose. Whether there were 6 or 600 members, it is evident that they joined only because the purposes and activities were "for" and "about" Callaways. The Court also held that the petitioner may have some "educational" purposes such as its lectures, panels and the publication of the Callaway Journal. However, they were not denied exemption because they had no exempt purposes, but rather, because its activities, taken as a

whole were not "exclusively" dedicated to exempt purposes. In addition, the petitioner also engaged in nonexempt activities serving a private interest, and those activities were not insubstantial.

In Revenue Ruling 80-301, published in IRB 1980-45, exemption was granted under Section 501(c)(3) of the Code on the basis that they did not conduct research for members and they did not focus activities on any one family. Its activities sought to develop a better understanding of the history of the area.

Based upon information submitted, it appears that your primary purpose is to help members track down living relatives lost as a result of adoption. The major objective of the organization is to assist members in "re-establishing family relationships," which is neither a charitable nor educational purpose.

Therefore, we have concluded that you do not qualify as an organization described in Section 501(c)(3) of the Code.

You are required to file federal income tax returns annually on Form 1120.

Section 7428(b)(2) of the Internal Revenue Code provides, in part, that:

"A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies.

If you do not agree with these conclusions, you may, within 30 days from the date of this proposed adverse determination letter, appeal to the Regional Office through this Key District Office. Your appeal should contain the information described under Regional Office Appeal in the

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enclosed Publication 892 and should be mailed to this office. The Regional Office will let you know what action they take and will set a date and place for any conference to be held.

This is a determination letter.

Very truly yours,

(S. J. [REDACTED])

[REDACTED]
Acting
District Director

Enclosure: Publication 892